

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year 10 (2003-2004) of Its Gas Cost Incentive Mechanism.

Application 04-06-025
(Filed June 15, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING REGARDING PROCESSING
OF GAS COST INCENTIVE MECHANISM FOR YEAR 10**

Southern California Gas Company (SoCalGas) filed its Year 10 Gas Cost Incentive Mechanism (GCIM) application on June 15, 2004. SoCalGas requests a GCIM shareholder reward of \$2.4 million pursuant to the revised GCIM structure established in Decision (D.) 02-06-023.

A response to the application was filed by the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN), and a protest to the application was filed by Southern California Edison Company (SCE). SoCalGas filed a reply to TURN's response and to SCE's protest.

SCE's protest states that it has been an active participant in SoCalGas' prior GCIM proceedings. In those proceedings, SCE "has asserted that the GCIM mechanism creates perverse incentives, harms noncore customers, and has a detrimental impact on California energy markets." (SCE Protest, p. 2.) SCE also states that it has been active in the Commission's investigation (I.02-11-040) into the cause of the natural gas border price spikes from March 2000 through May 2001, and that the first phase of that investigation is focusing on the Sempra Energy Companies, and the issues raised in SoCalGas' GCIM

proceeding.¹ SCE asserts that I.02-11-040 has a direct bearing on the Year 10 GCIM application because the Commission has stated in the investigation that it may eliminate or modify the GCIM structure.

SCE's protest also refers to how the Commission has addressed the Year Seven, Year Eight, and Year Nine GCIM proceedings in Application (A.) 01-06-027, A.02-06-035, and A.03-06-021, respectively. In the three decisions addressing those applications, the Commission awarded the shareholder reward amounts that SoCalGas had requested, subject to possible refund or adjustment depending on the outcome in I.02-11-040. (See D.04-02-060, D.03-08-065, D.03-08-064.) SCE's protest requests that SoCalGas' Year 10 application be treated similarly.

ORA's response agrees with SoCalGas that a hearing may not be needed for this proceeding. ORA's response also states that it is preparing its annual monitoring and evaluation report. ORA's report was subsequently released on October 15, 2004. The report audited SoCalGas' recorded Purchased Gas Account costs, analyzed and verified the GCIM calculations, and evaluated program operations during Year 10. As a result of ORA's audit and review, ORA recommends in its report that the Commission authorize SoCalGas to recover its shareholder reward of \$2.4 million. ORA's report did not identify any other issues that require a hearing.

TURN's response states that it was a signatory to the settlement agreement that was adopted in D.02-06-023. That decision amended the GCIM to its present structure, and SoCalGas also committed to consult with ORA and TURN for interstate capacity commitments longer than two years. SoCalGas also

¹ A proposed decision in I.02-11-040 was issued on November 16, 2004. That proposed decision is on the Commission's December 16, 2004 meeting agenda.

recommended a consultative process for interstate capacity commitments in Rulemaking 04-01-025, which was adopted in D.04-09-022. TURN states it intends to participate in the review of future commitments for core interstate pipeline capacity, and that to provide meaningful and timely input will require a commitment of resources on TURN's part. TURN believes that its participation in the consultative process is relevant to SoCalGas' performance under the GCIM, and requests that its participation in the consultative process, and any potential intervenor compensation for such participation, be considered in this GCIM proceeding. TURN agrees with SoCalGas that hearings are not needed.

SoCalGas' reply states that it does not oppose SCE's request that the Year 10 GCIM be treated in a manner similar to the Year Seven, Eight and Nine applications, even though the I.02-11-040 investigation period ends on May 31, 2001.

With respect to TURN's request that its participation in the consultative process and any potential intervenor compensation for such participation be considered in the GCIM, SoCalGas "fully supports TURN's request to have its intervenor compensation for work involved with review of SoCalGas's interstate capacity commitments to be considered in this proceeding." (SoCalGas, Reply, p. 2.) SoCalGas also agrees with TURN that the inclusion of TURN's request does not change the scope of this proceeding or that it will require hearings.

Since it appears that SoCalGas and the other parties who filed responses or protests agree on the issues to be resolved in this proceeding, and there does not appear to be any need for evidentiary hearings, this ruling proposes that if no objections are filed, that the following procedure be used to move this proceeding toward a Commission decision. The proposed procedure does not see any need for a prehearing conference (PHC) at this time. If no one objects to

the procedure described here, a scoping memorandum identifying the issues to be resolved and a schedule for filing a notice of intent to claim compensation in this proceeding (which would include work associated with TURN's consultative role during Year 10 of the GCIM) would issue within 45 days from today's ruling. It is contemplated that the scoping memorandum and ruling would issue, and that a draft decision for Year 10 would be prepared for the Commission's consideration without any hearings and would be patterned after the Year Seven, Eight, and Nine decisions, and would incorporate any action that may be needed once a decision regarding I.02-11-040 is adopted.

Anyone who objects to the proposed procedure described above, or believes that a PHC should be held before continuing further, shall file a response to this ruling on or before January 7, 2005.

Therefore, **IT IS RULED** that:

1. Unless a response objecting to the proposed procedure described in this ruling is filed on or before January 7, 2005, this proceeding will move forward with the issuance of a scoping memorandum and ruling, as described in this ruling, and with the issuance of a draft decision without hearings.
2. This ruling shall be served on the service lists for this proceeding and Application 03-06-021.

Dated December 8, 2004, at San Francisco, California.

/s/ JOHN S. WONG

John S. Wong
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail to all parties in this proceeding and in Application 03-06-021, this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding Processing of Gas Cost Incentive Mechanism for Year 10 on all parties of record in this proceeding or their attorneys of record.

Dated December 8, 2004, at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.